

Housing starts rise 28 percent

By Jennifer Hiller - Express-News
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With bank lending stuck in Scrooge mode and uncertainty lingering in the economy, San Antonio home builders aren't yet celebrating the end of tough times.

But thanks to the federal home buyer tax credits, they're busy.

Builders started 28 percent more homes in the first half of this year than they did in 2009, with 4,227 new homes beginning construction, compared with 3,298 the year before.

"It's nice movement," said Jack Inselmann, vice president of the U.S. Central Division of housing research company Metrostudy.

The tax credits — up to \$8,000 for first-time home buyers and up to \$6,500 for current homeowners who lived in their houses for at least five years — helped spur that activity. But since buyers had to be under contract by the end of April to qualify, home builders are now working without the benefit of that stimulus program.

Building is expected to pull back a bit in the second half of the year, already a traditionally a slower season for real estate.

"I think it will settle down and fall off a bit here towards the end of the year," said Inselmann. "We can't say that the real recovery is in process. The past year we've been dealing with stimulation from the home buyer tax credit. We're waiting for job growth and consumer confidence to solidify."

The number of home sites available to builders has dipped, a sign that the industry is chewing through inventory that built up at the height of the boom.

But it also means that whenever the economy does recover and job growth starts in earnest, demand will push the price of those lots and of new homes higher.

"We need some new lots to come online. If we don't, it will be hard to maintain our current pace or be able to grow," Inselmann said.

The number of developed lots, those with utilities, streets and everything needed for a house, dropped to 21,291 at the end of June.

That's a 31.6-month supply. And it's down from 26,037 lots at the same point in 2009, and 28,204 lots at the end of June 2008, according to Metrostudy.

Because it takes around 18 months to permit and develop raw land into a lot ready for a house, developers cannot react as quickly to an improving market as builders can. Lot supply will continue to drop for the rest of 2010, Inselmann said.

There's also little lender money available for lot development. Large, publicly traded builders are virtually the only ones able to develop land now.

Already, subdivision developer Norman Dugas said there's a shortage of lots in neighborhoods where homes are priced under \$200,000 — the most popular price range for San Antonio buyers.

“I don't know anybody developing lots speculatively,” Dugas said. “Most of the development activity is being done by the big national production builders. By 2011, we're going to start to see a shortage of lots in certain price ranges and in certain geographic areas.”

Both Dugas and Inselmann said that areas already popular with buyers, such as existing new-construction neighborhoods that have sold well, are where more lot development is needed.

“The lots that are being eaten up are the ones that are desirable to home buyers where builders and developers are adding sections onto an existing neighborhood,” Inselmann said.

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